

**SENT VIA EMAIL**

September 22, 2014

Jim Unland  
President  
San Jose Police Officers' Association (SJPOA)  
1151 N. Fourth Street  
San Jose, CA 95112

**RE: Retiree Healthcare**

Dear Jim:

During the meeting on September 2, 2014, the POA requested that the City roll back the current employee retiree healthcare contribution rate from 10% to 9.51%, which was the employee contribution rate effective June 22, 2014. We agree that the cost of funding retiree healthcare is significant for both employees and the City. However, while rolling back the contribution rate would reduce the contributions towards funding retiree healthcare in the short-term, it would increase the cost of the unfunded liability in the long-term unless the decrease in contribution rates was a result of a reduction in the cost of the retiree healthcare benefit.

The City and the POA agreed to phase into making the Annual Required Contribution (ARC) for retiree healthcare so that the benefit would be adequately funded. The increase in the City's and employee's contributions began in 2009, with a cap of a 1.25% increase for employees each year and 1.35% for the City each year, with a maximum contribution of 10% for employees and 11% for the City. We are now at the maximum contribution levels.

The contract between the City and the POA states that if the maximums are reached, we will meet and confer on how to address any retiree healthcare contributions above 10% for employees and 11% for the City in order to fund the full Annual Required Contribution. The contract states that the discussions shall include alternatives to reduce retiree healthcare costs.

Although the City is not agreeable to rolling back the contribution rates, we are very interested working with the POA to reduce the costs of the retiree healthcare benefit for both employees and the City. We would like to continue to focus on working together in the meet and confer process to address this issue for the long-term, and we would like to set-up regular meetings in which the City and POA can continue to discuss the retiree healthcare benefit for both Tier 1 and Tier 2.

Please see below for the dates and times we are available to meet:

NO	DATE	DAY	TIME
1	September 29, 2014	Monday	2:00 pm
2	October 6, 2014	Monday	2:30 pm
3	October 27, 2014	Monday	2:00 pm

Sincerely,



Jennifer Schembri  
Deputy Director of Employee Relations

c: Alex Gurza, Deputy City Manager  
Larry Esquivel, Chief of Police  
Edgardo Garcia, Assistant Chief of Police  
Gregg Adam, SJPOA Counsel  
John Robb, POA Vice President  
Franco Vado, Chief Financial Officer